



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
LEE COUNTY CLERK**

**Calendar Year 1999**

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable L. C. Reese, Lee County Judge/Executive  
Honorable Russell Stamper, Lee County Clerk  
Members of the Lee County Fiscal Court

The enclosed report prepared by Stephens & Lawson, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Lee County, Kentucky, as of December 31, 1999.

We engaged Stephens & Lawson, P.S.C., to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Stephens & Lawson, P.S.C., evaluated the Lee County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
LEE COUNTY CLERK**

Calendar Year 1999



## **EXECUTIVE SUMMARY**

### **LEE COUNTY RUSSELL STAMPER, COUNTY CLERK CALENDAR YEAR 1999 FEE AUDIT**

The Lee County Clerk's 1999 fee audit was contracted to Stephens & Lawson, PSC through a request for proposal (RFP). The audit revealed no reportable internal control issues and one compliance issue that is reported in the comment and recommendation section. The Clerk's office generated excess fees of \$1,558, which represents net income of the office after paying all operating expenses for the year. Excess fees are payable to the County Fiscal Court. The Clerk has already paid \$1,558 in excess fees to the fiscal court.





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#### Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Lee County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As describe in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

Based on the results of our audit, we have presented a comments and recommendations, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have A Written Agreement To Protect Deposits.

To the People of Kentucky  
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In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully Submitted,

Stephens & Lawson,

P . S . C .

Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
July 26, 2000

LEE COUNTY  
RUSSELL STAMPER, COUNTY CLERK  
~~STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES~~

Calendar Year 1999

RECEIPTS

State Fees For Services		\$	5,495
Fiscal Court			3,722
Licenses and Taxes:			
Motor Vehicle -			
Licenses and Transfers	\$	178,717	
Usage Tax		210,521	
Tangible Personal Property Tax		323,298	
Liens		1,716	
Licenses -			
Fish and Game		10,498	
Marriage		2,450	
Deed Transfer Tax		6,705	
Delinquent Tax		<u>33,382</u>	767,287
Fees Collected For Services:			
Recordings -			
Deeds, Easements, and Contracts	\$	6,648	
Real Estate Mortgages		4,211	
Chattel Mortgages		24,256	
Powers of Attorney		252	
All Other Recordings		5,148	
Charges for Other Services -			
Copywork		<u>916</u>	41,431
Other:			
Unhonored Checks Collected	\$	3,054	
Cash Drawer		300	
Overpayments		<u>378</u>	3,732
Interest Earned			<u>1,145</u>
TOTAL RECEIPTS (CARRIED FORWARD)		\$	822,812

The accompanying notes are an integral part of the financial statement

LEE COUNTY  
 RUSSELL STAMPER, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1999  
 (Continued)

TOTAL RECEIPTS (BROUGHT FORWARD) \$ 822,812

DISBURSEMENTS

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$ 137,788	
Usage Tax	205,307	
Tangible Personal Property Tax	119,133	

Licenses -

Fish and Game	10,458	
Marriage License	242	
Delinquent Tax	8,797	
Legal Process Tax	<u>6,777</u>	\$ 488,502

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 45,900	
Delinquent Tax	6,406	
Deed Transfer Tax	<u>6,369</u>	58,675

Payments to Other Districts:

Tangible Personal Property Tax	\$ 145,845	
Delinquent Tax	<u>13,684</u>	159,529

Payments to Sheriff		988
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Operating Disbursements:

Personnel Services -

Deputies Salaries	\$ 41,419	
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Employee Benefits

Other Payroll Disbursements	131	
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Contracted Services -

Printing & Binding	1,584	
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Materials and Supplies -

Office Supplies	3,202	
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Other Charges -

Cash Drawer	300	
Equipment Maintenance & Repairs	1,956	
Postage	2,812	
Refunds	4,753	
Travel	<u>164</u>	<u>56,321</u>

The accompanying notes are an integral part of the financial statement

LEE COUNTY  
RUSSELL STAMPER, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

~~DISBURSEMENTS~~ (Continued)

Total Disbursements	\$ <u>764,015</u>
Net Receipts	\$ 58,797
Less: Statutory Maximum	<u>53,639</u>
Excess Fees	\$ 5,158
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for Calendar Year 1999	\$ 1,558
Payment to County Treasurer - March 2, 2000	<u>1,558</u>
BALANCE DUE AT COMPLETION OF AUDIT	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statement

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LEE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenue and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employee Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 % of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28%.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

LEE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the County Clerk securing the Clerk's interest in the collateral.

**COMMENT AND RECOMMENDATION**



LEE COUNTY  
RUSSELL STAMPER, COUNTY CLERK  
COMMENT AND RECOMMENDATION

Calendar Year 1999

Current Year Comments and Recommendations:

The County Clerk Should Have A Written Agreement To Protect Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of December 31, 1999, the County Clerk had bank deposits of \$35,904; FDIC insurance of \$100,000; and collateral pledged or provided of \$50,000. Even though the County Clerk obtained sufficient collateral of \$50,000, there was no written agreement between the County Clerk and the depository institution, signed by both parties, securing the County Clerk's interest in the collateral. We recommend the County Clerk enter into a written agreement with the depository institution to secure the County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Management's Response:*

*A written agreement has been signed by both the bank and myself.*

Prior Year Comments and Recommendations:

- The County Clerk Should Have A Written Agreement To Protect Deposits



REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Honorable L.C. Reese, County Judge/Executive  
Honorable Russell Stamper, Lee County Clerk  
Members of the Lee County Fiscal Court

Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of the Financial  
Statement Performed in Accordance With Government Auditing Standards

We have audited the Lee County Clerk as of December 31, 1999, and issued our report thereon dated July 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lee County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lee County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Stephens & Lawson,  
P.S.C.  
Stephens & Lawson, P.S.C.

Audit fieldwork completed -  
July 26, 2000